

between the price that can be obtained on this market when you are at the ceiling and the price that is obtained for the pork which goes into bacon and ham that go overseas. So that there is little variation in the price. It varies a little up and down, probably above five cents, but that is as much leeway as they can take between the ceiling and what is now the floor constituted by the agreement. Therefore the price stays almost at one level. But that is the method by which it is set. It is the relationship between the ceiling price and the price we are obtaining for the seventy or eighty per cent of the hog products sent to Britain.

Mr. PERLEY: What is the basis used for arriving at the penalties on the lower grades, and where does the packer come in in assessing the penalty or arriving at it? Does the packer have a say?

Mr. GARDINER: There are no penalties now. They were done away with in the present system of grading. There is a price established in the manner I have indicated, a basic price so far as B1's are concerned. There is a higher valuation placed upon A's and there is a lower valuation upon the grades that run down from B1. When you get into the heavies and lights the price that is established there is governed by the supply of them into the market as related to the B1 price. Most people prefer what comes from cuts of B1 hogs, but there are people who want the heavier hog. It depends on the number of people who want the heavy hog as compared with those who want B1 as to what the price will be for heavy hogs.

Mr. WRIGHT: Is it not a fact that most of the pork consumed in Canada is from the light and heavy grades? Most of the export, the seventy per cent of exports, is usually from A and B1 grades, and the packers I believe receive probably more money from lights and heavies sold on the domestic market than they do for what is exported. Is the money made on lights and heavies on the domestic market used to subsidize the export, or is it clear profit to the packers? I ask that question because they do sell these grades at a higher price on the domestic market than they get for the export.

Mr. GARDINER: Not very much higher now. They did earlier in the war. The ceiling price based on the actual price that did exist in the fall of 1941 has been established under the prices board. Since that time there has been very little upward movement. At the same time, there has been every year an increase in the contract price of the pork that is going to Britain, which has resulted in the floor established by that agreement

gradually drawing closer to the ceiling. Today it is so close to the ceiling that there is not very much room for variation, and while lights may be bought at a slightly lower price than B1, which would leave a wider margin as between the ceiling and the price purchased at, and heavies may be bought at a lower price, still my understanding is that under the ceiling prices set, there is a lower price set for heavies, but there is no lower ceiling price for lights, so that there is a possibility of a person purchasing lights and making a bigger profit than he would if he purchased A's and B's. Of course, we are anxious to get A's and B's into the plants where they will be processed and sent overseas. That is one of the reasons for paying a \$3 premium on A's and a \$2 premium on B's. They must be inspected by our inspectors before that premium is paid, and that means that most of it must come into the plants where it can be processed and sent overseas. But the other product sold on this market is ruled by competition in buying and selling.

Mr. PERLEY: Is it not a fact that the packers get a certain quantity of high-class bacon out of C and D grade hogs?

Mr. GARDINER: The statistics show that they do not. The bacon and ham that come out of A's and B's are practically all covered by high standards of bacon.

Mr. PERLEY: Is there any particular way of checking the packers?

Mr. GARDINER: It is all inspected at seaboard and checked as to grade.

Mr. PERLEY: The inspectors must be pretty good, because I happened to be on the train with some of the representatives of the packers coming to Ottawa on one occasion and they had samples of bacon that had been taken from five or six different weights of hogs. You could not tell the difference. In fact they admitted to me that they could take so much of A or a higher grade of bacon out of a hog weighing from 250 pounds down. They did not make any bones about it. That was not last year or this year, but a year or so ago.

Mr. GARDINER: I think that is the old story, but you have to trim a lot of that hog before you get the bacon out of it, and it may be sold at a very much lower price than the other.

Mr. PERLEY: They could sell a lot of that right at home. As one hon. member stated a while ago, I think the Canadian people are eating a lot of that stuff and paying more for it.

Mr. GARDINER: Somebody is eating it.